

Message Text

PAGE 01 LUSAKA 01612 051349Z

43

ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 COME-00 INT-08 OPIC-12

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-15

PRS-01 L-03 SS-15 NSC-10 SCEM-02 DRC-01 /128 W

----- 010608

P R 051200Z SEP 73

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC PRIORITY 9298

INFO AMCONSUL JOHANNESBURG

AMEMBASSY LONDON

C O N F I D E N T I A L LUSAKA 1612

E.O. 11652: GDS

TAGS: EIND, EMIN, ZA

SUBJ: REVISION OF MINE AGREEMENTS

REF: LUSAKA 1594, 1598, 1607

1. SUMMARY: IN DISCUSSION WITH US SEPT 4, NCCM (ANGLO) MANAGING DIRECTOR DE BEERS DESCRIBED SITUATION IN WAKE KAUNDA ANNOUNCEMENT OF MINE AGREEMENTS REVISION AS "COMPLETE CHAOS". APPARENTLY JUST NOW BEGINNING REALIZE IMPLICATIONS ITS MOVES, GRZ CONFUSED AND UNCERTAIN. WHILE NOT CONFIDENT, DE BEERS HOPES FOR EVENTUAL FACE-SAVING FORMULA WHICH WILL LEAVE SITUATION ESSENTIALLY UNCHANGED. END SUMMARY.

2. AS RESULT SEPT 3 "BRIEFING" SESSION WITH MINISTER MULEMBA, WHOM KAUNDA PUT IN CHARGE OF EXECUTION OF HIS DECISIONS ON MINES, DE BEERS SAYS HE BELIEVES FOR FIRST TIME SINCE PRESIDENT'S AUGUST 31 PRESS CONFERENCE ZAMBIANS DO NOT FULLY UNDERSTAND WHAT THEY ARE DOING. HE HAD EARLIER THOUGHT THEY UNDERSTOOD VERY WELL. HAS IMPRESSION NOW PRESIDENT'S ACTION TAKEN ON SPUR OF MOMENT FOR DOMESTIC POLITICAL REASONS, THOUGH IT NOT AT ALL EVIDENT WHAT THOSE REASONS MIGHT BE. IT BEGINNING TO DAWN ON GRZ MANAGEMENT CONTRACTS REMAIN IN FULL FORCE AND REDEMPTION ZIMCO BONDS FREES ITS HAND ONLY IN RESPECT TO TAXES IT MAY LEVY
CONFIDENTIAL

PAGE 02 LUSAKA 01612 051349Z

ON MINES', SHAREHOLDERS' AND MANAGEMENT COMPANIES' EARNINGS. ZAMBIAN FOCUS IN PAST HAS NOT BEEN ON MANAGEMENT CONTRACTS BUT ON FACT GRZ INCOME FROM MINES ALL GOING INTO REDEMPTION BONDS WHICH ZAMBIANS HAVE COME TO VIEW AS INEQUITABLE AND IMPROPER,

EVEN THOUGH ARRANGEMENT WAS OF THEIR OWN MAKING.

3. ACCORDING DE BEERS, MULEMBA HAS NO ANSWERS TO ANY OF OBVIOUS QUESTIONS. WHEN TIMES BUSINESS EDITOR RUTH WEISS, EXHIBITING CONSIDERABLE COURAGE, ASKED HIM IN SEPT 2 TV INTERVIEW WHETHER IT NOT FACT MANAGEMENT CONTRACTS REMAIN LEGALLY BINDING DESPITE BOND REDEMPTION, MULEMBA MERELY REMARKED THAT QUESTION IS ONE OF THOSE WHICH MUST BE DISCUSSED. AT DE BEERS AND ACHESON (AMAX) MEETING MONDAY WITH MULEMBA, LATTER OPENED WITH LONG SPEECH ABOUT PAST EXCELLENT COLLABORATION WITH MANAGEMENT COMPANIES AND HIS EXPECTATION THAT CLOSE ASSOCIATION WOULD CONTINUE ON PERMANENT BASIS. WHEN ASKED HOW HE EXPECTED PROCEED, MULEMBA GAVE SYNOPSIS OF KAUNDA REMARKS TO PRESS AUGUST 31. WHEN ASKED ABOUT HOW BOND REDEMPTION TO BE CARRIED OUT, VALIDITY OF MANAGEMENT CONTRACTS, MINING COMPANIES' RIGHT TO SELECT OWN MANAGING DIRECTORS, MULEMBA AVOIDED RESPONSE AND REFERRED THEM TO BANK OF ZAMBIA GOVERNOR KUWANI. DE BEERS SUBSEQUENTLY SPOKE WITH KUWANI (WHO DID NOT GO TO ALGIERS NON-ALIGNED CONFERENCE AS GRZ HAS REPORTED) ONLY TO BE REFERRED BACK TO MULEMBA. DE BEERS COMMENTED WHEN MULEMBA IS CONFRONTED WITH A PROBLEM HE CANNOT HANDLE HE BECOMES UNAVAILABLE AND "DISAPPEARS" FOR WEEKS AT A TIME.

4. THIS EXPERIENCE HAS PERSUADED DE BEERS GRZ HAD NOT STUDIED IMPLICATIONS OF PRESIDENT'S DECISIONS AND DID NOT HAVE VAGUEST IDEA HOW MINES OPERATING UNDER 1969 AGREEMENTS. GRZ HAD OFTEN COMPLAINED IT NOT BEING INFORMED ON MINE AND COPPER SALES OPERATIONS. ACCORDING DE BEERS, MINDECO MANAGING DIRECTOR MULAISHO AND HIS STAFF FULLY AND CURRENTLY INFORMED ON ALL OPERATIONS AND UNDERSTOOD THEM WELL. IN FACT, COMPANIES HAD BEEN NEGOTIATING INFORMALLY WITH MULAISHO, AT LATTER'S INITIATIVE, OVER PAST YEAR ON ONE FUNDAMENTAL ASPECT OF OPERATIONS TO SHIFT RECRUITMENT TO MINDECO AND HAD REACHED AGREEMENT IN PRINCIPLE. MULAISHO HOWEVER WAS NOT CONSULTED BY GRZ RE AUGUST 31 DECISIONS. (DE BEERS NOTED, INCIDENTALLY, THAT THERE LONG TIME FEUD BETWEEN MULEMBA AND MULAISHO, RESULTING LARGELY FROM UNLETTERED MULEMBA'S DISTRUST OF MULAISHO'S INTELLECTUALISM.)

CONFIDENTIAL

PAGE 03 LUSAKA 01612 051349Z

5. WHILE GRZ ACTION DOES NOT AFFECT SALARIES AND WAGES OF MINE STAFF AND WORKERS, THERE IS IMMEDIATE PROBLEM OF BLOCKED ANGLO ACCOUNTS FROM WHICH CONSULTANTS AND ENGINEERS ARE PAID AND UPON WHICH PURCHASING ORGANIZATION DEPENDENT. APPARENTLY NEITHER MULEMBA NOR KUWANI ABLE GRASP FACT ANGLO MAKES THESE DISBURSEMENTS AND IS SUBSEQUENTLY REIMBURSED BY NCCM. AMOUNT INVOLVED IS AROUND HALF MILLION DOLLARS A MONTH. DE BEERS SAYS ANGLO CAN CARRY ON WITH LOCALLY BORROWED FUNDS FOR ABOUT SIX WEEKS BUT THINKS SOME SORT OF INTERMIN ARRANGEMENT CAN BE MADE SHORTLY TO HANDLE THIS PARTICULAR PROBLEM.

6. DE BEERS AND ACHESON NATURALLY WORKING CLOSELY TOGETHER, THOUGH ANGLO MUCH MORE INTERESTED IN REDEMPTION OF ZIMCO BONDS

THAN AMAX WHOSE PRIMARY CONCERN IS MANAGEMENT CONTRACT. ABOUT 140 MILLION DOLLARS IN BONDS DUE ANGLO AND 80 MILLION DUE AMAX AND OF THIS LATTER AMOUNT ANGLO HAS TWELVE PERCENT SHARE. ANGLO NEVERTHELESS SEES NO REASON TO SURRENDER ITS RIGHTS AND EARNINGS UNDER MANAGEMENT CONTRACT. DE BEERS ACKNOWLEDGED, WHEN ZIMCO BONDS REDEEMED, "THEY CAN GO AHEAD IF THEY WISH AND TAX US INTO EXTINCTION." "IN MEANTIME, WE WILL BE PREPARED TALK WHEN THE MONEY IS IN BERMUDA BANKS" (ACCOUNT OF ZAMBIAN COPPER INVESTMENTS, LTD., ANGLO-CONTROLLED BERMUDA COMPANY).

7. DE BEERS NOTED, THOUGH IT "LONG WAY" FROM RESORTING TO IT, ANGLO HAS POWERFUL LEVERAGE AT ITS DISPOSAL. COPPER PRODUCTION AND SALES CONTINUING UNABATED AND RECEIPTS OF ROUGHLY ONE MILLION DOLLARS DAILY GOING INTO GRZ ACCOUNT IN LONDON; RECEIPTS COULD JUST AS EASILY BE DEPOSITED TO ANGLO ACCOUNT. THE TWO HUNDRED TOP NCCM POSITIONS ARE HELD BY LONG-TIME ANGLO MEN WHO, BECAUSE OF KNOWLEDGE OF PARTICULAR CHARACTERISTICS OF ZAMBIAN MINES, ARE PRACTICALLY INDISPENSABLE; THEY PREPARED TO WORK FOR ANGLO ANYWHERE AND WOULD MOVE ON AT MOMENT'S NOTICE. THE OTHER EXPATRIATES-- THE "VC-TENERS" (THOSE WHO COME AND GO ON BOAC) DO NOT CARE MUCH WHERE THEY WORK. MOREOVER, IT WILL NOT TAKE A GREAT DEAL OF PERSUASION TO GET MINING COMPANIES TO CONTINUE WITH OTHER MINING OPERATIONS IN ZAMBIA. FOR EXAMPLE, ANGLO'S NICKEL MINE EXPLORATIONS AT MUNALI COSTING ABOUT ONE MILLION DOLLARS A YEAR WILL PROBABLY CEASE SOON AND EVEN MOST IRON-CLAD ASSURANCES SET IN CLEAR LEGISLATION MIGHT NOT PERSUADE ANGLO TO RESUME.

8. AT MOMENT, DE BEERS THINKS GRZ HAS IDEA IT CAN SOMEHOW CONFIDENTIAL

PAGE 04 LUSAKA 01612 051349Z

RETAIN SERVICES OF MANAGEMENT COMPANIES WHILE LEAVING THEM WITH A FRACTION OF EARNINGS THEY HAVE HAD UP TO NOW. HE BELIEVES AND HOPES HIS RELATIONS WITH PRESIDENT KAUNDA ARE AS GOOD AS THEY SEEM TO HAVE BEEN IN PAST. HE SPECULATES THAT, WITH PRESIDENT'S UNDERSTANDING AND HELP, IN END SOME FACE-SAVING FORMULA CAN BE DEvised PERHAPS INVOLVING A LITTLE LESS RETURN FOR MINING COMPANIES ANC CONTINUATION OF OPERATIONS IN A SOMEWHAT DIFFERENT FASHION.

9. COMMENTING ON PRESS REPORTS THAT LONRHO MIGHT BE PREPARED TO TAKE OVER MANAGEMENT OF MINES, DE BEERS NO

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LUSAKA01612
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: LUSAKA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730963/abqcefvptel
Line Count: 151
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: LUSAKA 1594, 1598, 1607
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 16 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jul-2001 by kellew0>; APPROVED <03-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVISION OF MINE AGREEMENTS
TAGS: EIND, EMIN, ZA
To: STATE INFO JOHANNESBURG
LONDON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005